

RULES PROCESSING TEAM

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October 12, 2000

Department of the Interior  
Minerals Management Service  
Attention: Rules Processing Team  
M.S. 4024, 381 Eldon St.  
Herndon, Va. 20170-4817

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Via e-mail; [www.rules.comments@mms.gov](http://www.rules.comments@mms.gov)

Outer Continental Shelf Leasing  
MMS Proposed Rule  
September 14, 2000, 65 FR 55476

Ladies and Gentlemen:

Chevron USA appreciates the opportunity to comment on the captioned proposed rule. We support the administrative extension of bidding system deepwater royalty relief beyond the November expiration of Section 304 of the DWRR Act, particularly as applied to the ultra-deepwater frontier of the Gulf. Chevron has and will continue to be a major operator in the Gulf of Mexico. In a climate of opportunity competitive with world-wide basins, we will continue to make substantial exploration and development investments in the Gulf. The MMS must combine efforts to optimize the US offshore investment climate with active opposition to future OCS access and permit restrictions, to meet the future oil and gas supply needs of America. Chevron is a member of the National Ocean Industries Association and the American Petroleum Institute. We continue active participation in the cooperative NOIA, API, and MMS efforts to ensure that future bidding system and post-lease royalty relief works for both industry and government.

We support the detailed response of NOIA to the questions posed by MMS, and the specific comments of API on the proposal. Under the proposal, future royalty suspensions are tailored to each lease on a case-by-case basis, determined by MMS' view of leasing/ discovery density risk reduction, price, infrastructure and technology. This decision-making flexibility provides the opportunity for continuing a successful program, or a failed program of diminishing value, for both industry and MMS. Rather than repeating comment provided by NOIA and API, we refer to the 1999 MMS Annual Report to make the case that MMS proposed flexibility must be used to continue a successful program:

*"To stimulate industry development of new technology for exploration and mineral development, MMS offers royalty relief incentives for approved deepwater operations. The program encourages domestic production of oil and gas resources along with the creation of infrastructure. The program has contributed to a more than 10-fold increase in the number of leases sold in depths over 400 meters, with a corresponding jump in revenues from \$15 million in 1994 to over \$1.1 billion in 1998. Deepwater finds have slowed the rate of decline in recoverable resources. In 1999 discoveries improved the ratio of reserves to production, reduced the rate of decline 60% more than the target for oil, and 65% more than our target for gas". "The number of exploratory wells in ultra-deep water tripled from 1996 to 1999".*

We urge MMS to continue an effective "bidding process" royalty relief program, to enhance critical leasing and development investments in the deepwater Gulf of Mexico. Please call Robert Sandilos at 713-754-3079 if you have any questions or comments.

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